

Econ: 102

13 Feb, 2008

Student Name _____

Section # _____

TA name _____

Student ID # _____

**FIRST MIDTERM EXAMINATION
VERSION 1**

**DO NOT OPEN THE TEST UNTIL THE INSTRUCTOR TELLS YOU TO DO SO.
READ THESE INSTRUCTIONS FIRST.**

You have **50 minutes** to complete the exam (about 2 min. per question). There is **one and only one best answer** to each question. All questions are worth the same number of points. You will have **5 points taken off for not providing/coding your name, student ID number, discussion section you've been attending or test version number correctly on your scantron.**

HOW TO FILL IN THE SCANTRON SHEET CORRECTLY:

1. Answer all questions on the scantron sheet with a #2 pencil.
2. Print your last name, first name, middle initial and student ID number in the spaces marked "Last Name," First Name" and "MI". Fill in the corresponding bubbles.
3. Write the number of the discussion section you've been attending under "Special Codes" spaces ABC, and fill in the bubbles. You can find the discussion numbers below on this page.
4. Write the version number of your exam booklet under "Special Codes" space D, and fill in the bubble. The version number is on the top of this page.

OTHER IMPORTANT REGULATIONS:

1. If there is an **error on the exam or you do not understand something**, make a note on your exam booklet and the issue will be addressed AFTER the exam is complete. No questions regarding the exam can be addressed while the exam is being administered.
2. **When you are finished**, please get up quietly and bring your scantron sheet and this exam booklet to the place indicated by the instructor/TAs.
3. **No cell phones**
4. **Only simple calculators** allowed

DISCUSSION SECTION NUMBERS:

350 3:30 Wed Chao He	354 8:50 Fri Jacob Miller	358 12:05 Fri Jacob Miller
351 3:30 Wed Jacob Miller	355 8:50 Fri Chao He	359 12:05 Fri Chao He
352 8:50 Thur Jiao Shi	356 9:55 Fri Chao He	360 1:20 Fri Chao He
353 8:50 Thur Jacob Miller	357 9:55 Thur Jacob Miller	361 2:25 Thur Jiao Shi

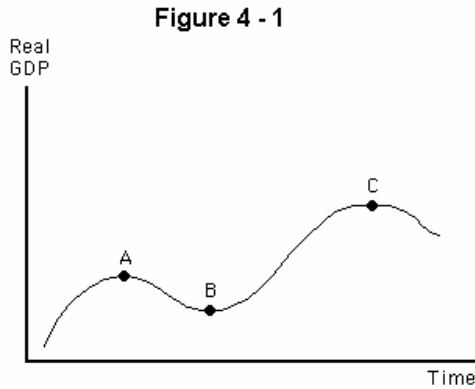
1. If the rate of economic growth is positive, then everyone becomes better off.
 - a. True
 - b. False
2. The U.S. economy experienced fluctuations in employment and output over the last half of the twentieth century. However, the length of the average recession has been about the same as the length of the average expansion.
 - a. True
 - b. False
3. Gross domestic product (GDP) is
 - a. all things bought and sold in a given period, within a nation's borders
 - b. the total value of all final goods and services produced for the marketplace during a given period, by a nation's citizens and businesses
 - c. the total value of all final goods and services produced for the marketplace during a given period, within a nation's borders
 - d. the total value of all goods and services produced for the marketplace during a given period, by a nation's citizens and businesses
 - e. the total value of all goods, services and inputs produced for the marketplace during a given period, within a nation's borders
4. If U.S real GDP was \$9.237 trillion in 1998 and \$9.671 trillion in 1999, real GDP
 - a. decreased by 4.5 percent
 - b. increased by 3.2 percent
 - c. increased by 4.7 percent
 - d. increased by 4.4 percent
 - e. I have no idea (can not be a correct answer)

Space for your notes:

—

5. Economists monitor economic growth by studying
 - a. the unemployment rate
 - b. population growth
 - c. real GDP
 - d. the inflation rate
 - e. the distribution of income among U.S. states

6. “Real” in macroeconomics refers to:
 - a. only variables that describe the quantity of some good (e.g. 1 apple, 2 oranges)
 - b. only variables that can be accurately measured in the real world
 - c. variables adjusted for the dollar’s changing purchasing power
 - d. variables expressed in current dollars
 - e. this concept is not used in macroeconomics
7. “Nominal” in macroeconomics refers to:
 - a. only variables that describe the quantity of some good (e.g. 1 apple, 2 oranges)
 - b. only variables that can be accurately measured in the real world
 - c. variables adjusted for the dollar’s changing purchasing power
 - d. variables expressed in current dollars
 - e. this concept is not used in macroeconomics
8. Output per capita rises when
 - a. the population increases faster than real GDP
 - b. the standard of living decreases
 - c. real GDP increases at the same rate as the population
 - d. real GDP rises slower than the population
 - e. real GDP rises faster than the population
9. If the unemployment rate is 6 percent, that means that 6 percent of
 - a. the population is not working
 - b. potential workers do not have jobs
 - c. the labor force is not working at that time
 - d. people in the labor force have stopped looking for jobs
 - e. some people who want to work at prevailing wages cannot find jobs
10. Increases in inventories are included in GDP because they reflect output that is produced, even though not sold.
 - a. True
 - b. False
11. Typically, during the expansion phase of a business cycle
 - a. employment and output are both at a peak
 - b. employment and output are both rising
 - c. employment is falling and output is rising
 - d. unemployment and output are both rising
 - e. employment is rising and output is falling



12. **Refer to Figure 4-1.** If the economy moves from point A to B on the graph, most likely, it is going through a(n)
- peak
 - trough
 - expansion
 - boom
 - recession
13. GDP at constant prices is:
- another name for GDP measured using value added approach
 - a nominal variable
 - another name for GDP measured using factor payments approach
 - another name for GDP measured using expenditure approach
 - an example of a real variable
14. If a country's GDP is at \$8 trillion in 2007, and grows by 4 percent a year for each of the next 4 years, what is its GDP in 2011 (rounded to two decimal points)?
- \$7.69 trillion
 - \$8 trillion
 - \$9.28 trillion
 - \$9.36 trillion
 - \$9.75 trillion

Space for your notes:

—

15. Which of the following would be counted in U.S. GDP?
- a. a *new* U.S.-produced radio bought by a Japanese citizen living in Kyoto
 - b. a *used* U.S.-produced computer bought by a French citizen living in Kansas
 - c. a *new* Japanese radio bought by a U.S. citizen in Tokyo
 - d. a U.S. pianist's concert sales in Britain
 - e. stock in Microsoft Corporation bought by a Russian citizen
16. If imports increased by \$100 million while GDP remained the same, which of the following could have happened, all else being the same?
- a. Exports decreased by \$100 million.
 - b. Consumption increased by \$100 million.
 - c. Government spending decreased by \$100 million.
 - d. Net exports increased by \$100 million.
 - e. Private investment decreased by \$100 million.

Space for your notes:

—

17. Country A has an economy of \$5 billion in 2006, while Country B has an economy of \$10 billion. Country A's economy is increasing at a rate of 4 percent a year, while Country B's is increasing by 2 percent a year. Using the Rule of 70, in what year will these countries' economies be equal?
- a. 2013
 - b. 2023
 - c. 2041
 - d. 2076
 - e. they will never be equal

Space for your notes:

—

18. Which of the following is the best example of an intermediate good?
- a. a new fighter jet purchased by the federal government
 - b. tires purchased by an automobile manufacturer for installation on new cars
 - c. a new saw purchased by a carpenter
 - d. screwdrivers purchased by a homeowner for home repairs
 - e. aprons purchased by restaurant chefs
19. A Texas oil company extracts petroleum and sells it to a refinery for \$1,000. After processing, the refinery sells the gasoline to a wholesaler for \$1,500, who then sells it to a gas station for \$1,700. The gas station sells it to customers for \$2,500. Out of these transactions, how much has been included in GDP?
- a. \$1,000
 - b. \$1,500
 - c. \$2,500
 - d. \$4,200
 - e. \$6,700

Space for your notes:

—

20. Suppose the Bureau of Labor Statistics reports that the noninstitutional civilian population is 250 million. Of those, 150 million are employed and 5 million are unemployed. Of the 150 million employed, 5 million would like to be working twice as many hours and of the 250 million, 5 million have given up the search for work. The unemployment rate reported by the BLS would be _____, while if the BLS counted the discouraged workers as unemployed the unemployment rate would be _____.
- a. 6.3%; 3.2%
 - b. 2%; 6.3%
 - c. 6.3%; 2%
 - d. 3.2%; 6.3%
 - e. 6%; 6.3%

Space for your notes:

—

21. GDP in year 2000 at constant prices from year 2000 is:
- a. equal to nominal GDP in year 2000
 - b. always bigger than nominal GDP in year 2000
 - c. always smaller than nominal GDP in year 2000
 - d. bigger than nominal GDP only if the rate of inflation is positive
 - e. smaller than nominal GDP only if the rate of inflation is positive

Space for your notes:

—

Table 1

<i>Payments:</i>	<i>Wheat industry:</i>	<i>Flour industry:</i>	<i>Bread industry:</i>
Wages	\$40	\$30	\$60
Interest	\$10	\$15	\$0
Dividends	\$0	\$15	\$30
Purchases of Intermediate Goods	\$0	\$50	\$110

Zomba is a country. It produces three goods: wheat, flour and bread. All of the wheat is sold to millers. All of the flour is sold to bakers. Consumers buy only bread from bakers. Factor payments and purchases of intermediate goods by all the industries in Zomba last year are listed in the table above. Based on this information, answer the following questions:

22. **Refer to Table 1 and the information below Table 1.** The GDP in Zomba calculated using the factor payments approach was:
- a. \$110
 - b. \$200
 - c. \$90
 - d. \$160
 - e. \$70

Space for your notes:

—

23. **Refer to Table 1 and the information below Table 1.** The GDP of Zomba calculated using value-added approach was (might not be the same as in the previous question due to statistical discrepancies):
- a. \$110
 - b. \$200
 - c. \$190
 - d. \$160
 - e. \$70

Space for your notes:

—

24. **Refer to Table 1 and the information below Table 1.** Assuming all three methods of calculating GDP give the same result, the total receipts (revenue) from sales in the bread industry was:
- a. \$200
 - b. \$110
 - c. \$90
 - d. \$160
 - e. \$190

Space for your notes:

—

Table 2

<i>Category</i>	<i>Amount</i>
Consumption	\$5,000
Tax Revenues	\$1,000
Government purchases	\$1,500
Imports	\$1,200
Exports	\$980
Total GDP (via expenditure approach)	\$8,000

25. **Refer to Table 2.** Using the numbers from the table, answer what was the private investment in this economy?

- a. private investment was \$1,940
- b. private investment was \$310
- c. private investment was \$320
- d. private investment was \$1,720
- e. private investment was \$1,220

Space for your notes:

—

26. Which of the following would be necessarily included in this year's GDP?

- a. Susan cleans the fuel injectors on her car.
- b. a private individual purchases 100 shares of IBM stock.
- c. a timber company cuts down a tree on land they own in Northern Wisconsin.
- d. a man buys an antique desk from his neighbor.
- e. a college professor purchases a new computer.